

# Memorandum

Date: September 8, 2003

To: Division Chiefs and Deputy Directors

From: Stan Rosenstein  
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Subject: Policy: Mandatory Process for Requesting Interim Codes/Transitional Needs of the Department

The Department of Health Services (DHS) is aggressively moving forward with the adoption of the health care claim coding standards named in the Health Insurance Portability and Accountability Act of 1996 (HIPAA) Administration Simplification. To comply with the HIPAA coding standards, DHS must eliminate the many codes that currently do not comply with the HIPAA standards (these codes are referred to as interim codes). During the transition to HIPAA compliance, DHS must put in place strict policies to limit the creation of new interim codes. The purpose of this memo is to inform staff of DHS' new policy to centralize the process for requesting, evaluating and issuing interim codes.

## ***Background:***

The HIPAA Transactions and Code Sets final rule, 45 Code of Federal Regulations, §162.1000, requires the use of specific coding standards when conducting "covered" electronic health care transactions, which include health care claim submission and payment transactions. The following coding standards are named in the HIPAA final rule:

## ***Medical Coding Standards:***

- ***Diagnoses:*** International Classification of Diseases, 9<sup>th</sup> Edition, Clinical Modification, (ICD-9-CM), Volumes 1 and 2, as maintained and distributed by U.S. Department of Health and Human Services (DHHS).
- ***Hospital Inpatient Surgical Procedures:*** ICD-9-CM Volume 3 Procedures, as maintained and distributed by DHHS.



- ***Drugs and Biologics in Retail Pharmacy Transactions:*** National Drug codes (NDC), as maintained and distributed by DHHS, in collaboration with drug manufacturers.
- ***Physician and Other Health Care Services:*** The combination of the Current Procedural Terminology, Fourth Edition (CPT-4), as maintained and distributed by the American Medical Association, and Level II Healthcare Common Procedure Coding System (HCPCS), as maintained and distributed by DHHS.
- ***Medical Supplies, Devices, and Equipment:*** HCPCS, as maintained and distributed by DHHS.
- ***Dental Services:*** Code on Dental Procedures and Nomenclature, as maintained and distributed by the American Dental Association.

***Non-Medical Coding Standards:***

- Code sets as described in the implementation specifications adopted under the HIPAA provisions. Examples of non-medical code sets include such data elements as place of service, condition codes, provider type, and specialty codes.

To comply with the federal regulations, DHS is required to convert over 9,000 interim codes currently used to administer the Medi-Cal program and other state and locally funded health care programs. This conversion effort will significantly impact existing policies, regulations, business and systems operations, and provider claims billing requirements.

The DHS Office of HIPAA Compliance (OHC) is responsible for the oversight of the HIPAA code conversion effort, however, impacted DHS program areas, providers and other key stakeholders are engaged as work plans and conversion strategies are developed and implemented. Implementation of the code conversions will occur in multiple phases, with the first phase scheduled for implementation September 22, 2003.

The HIPAA update section of the Medi-Cal website ([www.medi-cal.ca.gov/](http://www.medi-cal.ca.gov/)) provides detail information about this initial implementation.

OHC is currently in the process of developing strategies and implementation schedules for future code conversions. Program area staff will be notified of future implementations through separate memorandums.

In recognition of the complex process required to adopt the national coding standards, DHS has formed a dedicated code conversion workgroup consisting of staff from OHC, Medi-Cal Policy Division, Payment Systems Division, and the Fiscal Intermediaries. One of the first objectives of the workgroup is to limit the creation of new interim codes to the following conditions:

- 1) National codes are not available to meet the needs of the DHS;
- 2) National codes cannot be implemented within the mandatory timeframes of the program.

The following policy outlines DHS' new process for requesting interim codes and documents the guidelines the DHS code conversion workgroup will use to evaluate requests.

***Policy:***

When requesting a new interim code, the program area must complete the *Request for Interim Code Justification Report* (see report attached to this memo) and submit to the **Office of HIPAA Compliance (OHC)**. Completing the Justification Report will ensure that all requests for interim codes are considered only as a last resort due to: 1) lack of adequate national coding standards to meet program needs, or 2) DHS inability to implement a standard code within mandated time frames.

The DHS code conversion workgroup will evaluate each request to determine if a national code can be used, if an interim code is needed, and/or if DHS needs to request new national codes from the Centers for Medicare and Medicaid Services (CMS) or other national coding standards organizations. In addition, this evaluation will also determine if the request needs escalation to the DHS HIPAA Steering Committee for consideration.

Once the Justification Report is reviewed, the program contact person will be notified with the results of the evaluation. If an interim code is approved, a work plan must be developed to document the work effort required to transition to the national coding standards in a timely manner. OHC will maintain complete documentation of all requests for interim codes and the results of the evaluation.

***Exception for Medical Supplies:***

DHS is in the process of requesting an exception to the HIPAA standards for medical supplies, as such, we will continue to use interim codes until the new standards are adopted. However, if new interim codes are needed, the program area must also complete the Justification Report and submit to OHC. The information in the Justification Report will be used to monitor and track new interim code requests for medical supplies, and as justification to request new national codes if needed. OHC will work with the Medi-Cal Policy Division to ensure that interim codes for medical supplies are issued in a timely manner

If you have any questions about this policy or would like to be put in contact with a member of the DHS Code Conversion Task Force, please contact Janice Spitzer, Research Analyst, OHC at (916) 255-5251.